



Giving Them the Business: Generating Performance that Pays

Gail Snyder

In 2009, as the United States slid into recession, most people were happy to keep their jobs, much less receive extra money in their paychecks. Not so with the team members of the Bob Barker Company, America's largest supplier of products for detention facilities. That year, when many U.S. employees received an average merit increase of 1.4 percent (if anything), the team members at Bob Barker earned, on average, a 6 percent pay increase, followed the next year by an

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– Robert Barker

8 percent increase. “We had about a 14 percent increase when the average across the country for those two years was about 3.5 to 4 percent,” says Robert Barker, president. In fact, the company had experienced a 10 percent decrease in sales but managed a 16 percent increase in net income.

How did they do it? They were using a performance measurement and profit-indexed pay system, which they gave the more direct title of Get Paid! “Normally, when a company goes down 10 percent in sales, their profits drop 40 percent because they have fixed costs. We had the exact opposite experience.

Get Paid! Isn't all about the bottom line at the Bob Barker Company; it's about a company culture of giving back and sharing the benefits of good performance.

That was almost 100 percent credited to the implementation of the profit-indexed pay system,” Barker comments.

Developed by Dr. Bill Abernathy, vice president of performance measurement systems at Aubrey Daniels International (ADI), the pay system at the Bob Barker

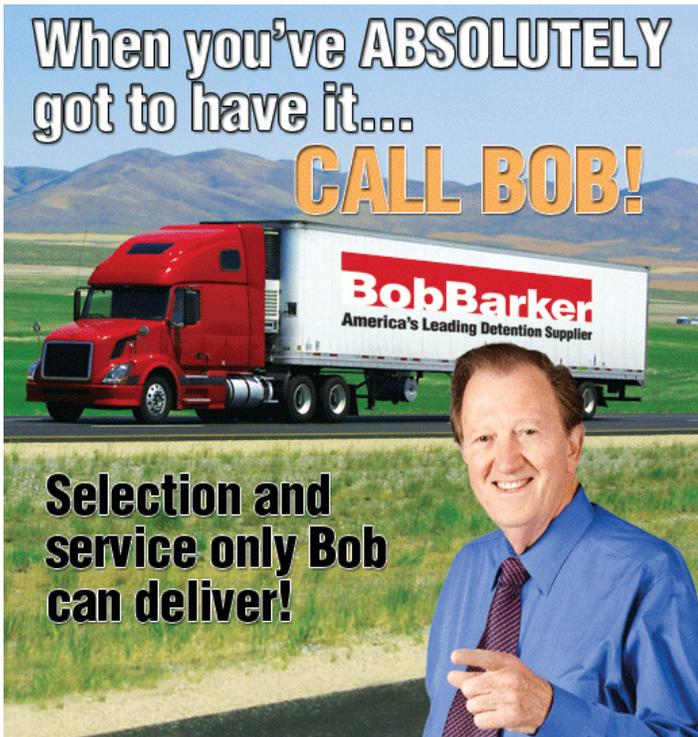
Company applies to every employee— from members of the board of directors to hourly wage earners. “This system is strictly tied to profitability and that protects the company from paying incentives when they don't have the money to do so,” says Lori Brody, ADI's director of performance management and incentive pay. Get Paid! makes no allowance for large executive bonuses traditionally distributed regardless of individual performance or a company's financial situation. “Some people say they have a bonus or variable pay program but they actually have a deferred base that is almost a guaranteed payout at certain points,” explains Ken Mayhew, human resources director at Bob Barker. “That's not how our system works. You have to produce.”

But Mayhew isn't referring solely to producing more products or more sales; he also means that every company employee is encouraged to produce new ideas for cost savings and for making the company more successful. He's talking about treating the company as if it's their own. Since implementing Get Paid! that's exactly what the team members have been doing. After all, they do own 40 percent of the organization's profits above the operating budget and their performance ultimately determines whether or not extra bucks will appear in their personal pay each month.



THE EVOLUTION OF PERFORMANCE PAY

The Bob Barker Company, a second-generation family owned business, will celebrate its fortieth year of operations next year. Several years ago, the management team initiated a “Transform the Team” project to discover new organizational development strategies and pay structures. “We were asking, ‘How can we have a variable pay structure where all employees, not just management, could share in the success of the company?’” says Mayhew. At one point, Barker brought in Abernathy's book *Managing Without Supervising* and after much analysis and discussion they decided to give it a go. With Abernathy and Brody's help, the group created an overall balanced scorecard of priority business results for the company and proceeded to formulate scorecards that linked to those results for every functional group in the organization.



Employees had a say in their group goals, but no “low hanging fruit” (as Mayhew puts it) made it to the score-cards. Also, the employees were given a 90-day “burn in” period during which time they could discuss, tweak, and otherwise fine-tune the scorecards, which are also reviewed annually for any necessary modifications. Then the groups decided which behaviors would help them achieve the scorecard results each month. Importantly, the scorecards provide checks and balances that assure the right behaviors come into play. For example, a scorecard metric that pertains to productivity is balanced by other metrics related to quality and safety. “Once we put this pay structure in place, one of our manufacturing teams, for example, was measured on not only how much they produced, but on quality, service level, and whether they had the

right products to meet the customer’s needs,” says Stephanie Allen, vice president of finance and administration. “They implemented changes that increased productivity by over 30 percent.”

Bob Barker, just as other organizations, offers market-competitive salaries, but there the similarity with traditional pay systems ends. Employees have regular performance reviews; however, merit increases are not applied to base salary but to the percentage of company profits they may earn. This basis percentage becomes part of an equation that can be multiplied from 0-3 times depending on company profits. “Anybody that had no form of variable or bonus pay, we went in with a minimum of five percent. So no one in the company has less than 5 percent. Say you got a 3 percent merit raise, that 3 percent was converted to your 5; you now have an 8 percent basis which is subject to a multiplier from 0-3, which really means you can make way more money. If you would have made a \$2,000 bonus for the month and the multiplier was a 2, you just made a \$4,000 bonus,” Mayhew says. “In fact, when we first put the system in, some of the hourly team members who had never had a check with bonus pay called HR to report what they thought was a mistake.”

Of course, since the extra pay depends on profitability, the downside is that in difficult times the multiplier becomes zero, which means no extra pay, but this flexibility also means that the organization hasn’t been forced to lay off employees. The monthly multiplier along with factors affecting profitability are posted on the company intranet: a transparent sharing of details that inspires em-



ployees to improve their business. Such was the case when the company had to announce a zero multiplier for several months. “Team members were very motivated to find cost saving opportunities in the business both from an operational basis as well as a product cost savings,” says Barker. “Our team found over \$3 or \$4 million worth of product cost savings in one year alone!”

Allen adds, “In the past it would have been someone at the executive level saying you’ve got to make changes, you’ve got to get inventory down, you’ve got to cut expenses. Instead, they were coming to us with ideas of here’s how I can improve my metrics and help us grow income. This allows us to pay our employees more when we’re doing well and have



salary automatically self-correct when we’re not doing as well.”

Another unexpected dynamic arising from the system is that if someone leaves the company, their team members, rather than insist that the position be filled, often decide that they can divide and take on the work to save costs. And even though this family-owned company has always had a culture of altruism, people seem more willing than ever to help out a co-worker. After all, helping one another helps the company and impacts profitability. (Not surprisingly, the Bob Barker Company has a very low turnover.)

this type of pay process, they are leaving a lot of money on the table, but adds “I think that a lot of people underestimate the ability of team members to contribute to the success of the business. By empowering individuals to make improvements in how they do their work and also allowing them to participate in the benefits of making those improvements, you provide an incentive that draws out creative ideas from people about how to drive the business more and more effectively. We want to pay above and beyond what the market pays, but we want to pay that because we are achieving well above market productivity and that makes sense for both the team members and the business.”

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THE BOTTOM LINE

Get Paid! Isn’t all about the bottom line at the Bob Barker Company; it’s about a company culture of giving back and sharing the benefits of good performance. Barker states that, pragmatically, if businesses aren’t using

ADVICE FOR IMPLEMENTING A PROFIT-INDEXED PAY SYSTEM

“Start simple. Start with a few scorecards; don’t make it too complicated initially. Get the system implemented and get it off the ground. Then you can start adding metrics, individual scorecards, and so on. This brings better alignment and better focus. The upfront work and training is definitely worth it and will bring great benefits.”

— *Stephanie Allen, vice president of finance and administration, the Bob Barker Company*



“It takes some time for people to fully understand this system, but once people get it, they get it. They understand how their actions directly impact the overall success of the busi-

ness. Spend a lot of time educating your people about how the program works and then be really transparent with folks about the things that are affecting financial performance.”

— Robert Barker, president, the Bob Barker Company

“Whether you are a public or private company you have to have an absolute commitment from all stakeholders and an awful lot of conversations with your leadership team as to what will work best for your company and how you will modify the pay system to fit your culture. Another thing we did was to show team members here’s what you would have made last year if you’d been on this system versus the traditional system. Believe me, it was a big difference and that was the biggest seller of the program.”

— Ken Mayhew, director of human resources, the Bob Barker Company



[About the Author]

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Gail Snyder is a staff writer for Aubrey Daniels International. For the past 27 years, she has worked with clients to share their stories of the impact the science of behavior has had on their people and their business. In addition, Gail was the editor of Performance Management Magazine from 1987 to 2004.

[About ADI]

Regardless of your industry or expertise, one thing remains constant: People power your business. Since 1978 Aubrey Daniels International (ADI) has been dedicated to accelerating the business and safety performance of companies worldwide by using positive, practical approaches grounded in the science of behavior and engineered to ensure long-term sustainability. ADI provides clients with the tools and methodologies to help move people toward positive, results-driven accomplishments. Our clients accelerate strategy execution while fostering employee engagement and positive accountability at all levels of their organization.

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